

Form Number 500

Agency Adjustment Summary

State of Nebraska - Administrative Services - Budget Division

		PAGE NUMBER	
		CODE & DESCRIPTION	
AGENCY		Community College Aid	
EXPENDITURE ACCOUNT		ADJUSTMENTS	
		2005-2006	2006-2007
Permanent F.T.E. Positions			
511100 Permanent Salaries - Wages			
511200 Temporary Salaries - Wages			
511600 Per Diem Payments			
511900 Supplemental (One-time payments)			
All Other Salaries			
Sub-Total Salaries		0	0
515100 Retirement Plans Expense			
515200 OASDI Expense			
515400 Life and Accident Insurance Expense			
515500 Health Insurance Expense			
All Other Personal Services			
Sub-Total Benefits		0	0
510000 Personal Services		0	0
520000 Operating Expenses			
570000 Travel Expenses			
580000 Capital Outlay			
590000 Government Aid			
599100 Distribution of Aid		0	24,967,308
Total Expense		0	24,967,308
Means of Financing			
General Fund		0	24,967,308
Cash Fund			
Federal Fund			
Revolving Fund			
Total Funding		0	24,967,308

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.

Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

Provide the following information: A) Description of Request; B) Rationale for Request; C) Impact of Request; and, D) Statutory Change if Required.

		Page Number
	CODE	DESCRIPTION
AGENCY	083	Community College Aid
PROGRAM	151	Aid to Community Colleges
REQUEST		\$2,466,275

This request is to fully fund Program 151 based upon the current state aid distribution formula.

There are two major reasons for Nebraska to fulfill its agreement with the community college system – 1) the investment in the Nebraska community colleges is sound from multiple perspectives. The colleges increase the lifetime incomes of students and enrich their lives. They benefit taxpayers by generating increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of the state economy, and 2) the funding partnership including the state, local taxpayers and students, should be supported as much as possible by maintaining the funding ratio of 40 percent from the state in the form of state aid; 40 percent from the local taxpayers through a property tax levy; and the remaining funds generated from tuition and other sources of revenue.

Financially supporting the community college funding partnership to the 40 percent level, would mean an even greater return on investment for the state. To fully fund Program 151, the Legislature would have to appropriate \$2,466,275 in FY 2006-2007 in order for the colleges to reduce the property tax levy to six cents or less as prescribed by law, and to maintain the current level of services. It is important to note that the \$2,466,275 is not new money for the community colleges. Rather, this amount represents the state's portion of their obligation for fully funding the community college formula

In 1997, the Legislature passed LB 269 which outlined a funding partnership that would ensure a strong and viable community college system, while providing some relief to the state's property tax payers. The basic premise of aid to community colleges is grounded in a funding ratio of 40 percent from the state, 40 percent from local tax payers, and 20 percent from tuition and other sources. Program 151 funds were originally distributed to the colleges through an enrollment-based formula: 52 percent was divided equally, 38 percent was allocated according to enrollment; and 10 percent was used for equalization.

The relationship between state aid and property taxes became very clear in FY1999-2000 when the Governor and Legislature approved an additional \$30 million dollars in state funds for the community colleges as part of a property tax relief package due to a significant reserve in the state coffers. Instead of levying up to 6 cents per \$100 of valuation, the colleges lowered the average statewide levy to 2.74 cents per \$100. The individual area levies ranged from a low of 2.51 cents to a high of 3.21 cents. This infusion of state dollars provided almost a dollar-for-dollar property tax reduction for taxpayers. Because the state's reserves were still high and because this proved to be successful as a property tax reduction method, the Governor and Legislature decided to re-appropriate the \$30 million for FY 2000-2001. The \$30 million infusion allowed the property tax rate to drop even further to a statewide average levy of 2.17 cents. The individual area levies range from 1.7 cents to 2.4 cents, quite a reduction from the original 11.5 cents per \$100 of valuation in 1997.

Nebraska taxpayers realized a small reduction in their property tax bills during those two fiscal years. However, because the Legislature was not able to continue the extra appropriations for property tax relief, the community college levy had to increase in FY 2001-2002 to an average statewide levy of 5.6 cents, an increase of almost 150%. This levy held steady for FY 2002-2003 at 5.8 cents, but was increased to 6.285 in FY 2003-2004, 6.492 cents in FY 2004-2005, and will be 6.672 in FY 2005-2006. Although the maximum that community colleges can levy was 6

Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

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cents per \$100 of valuation, the Legislature did approve a bill that allowed community colleges to exceed this limitation by a super majority vote of the governing board. This legislation was continued in 2005 and will end in 2008. The major dilemma now is that with the state-mandated levy limit of six cents per \$100 of property valuation, the colleges will not be able to raise additional dollars from property taxes. When state aid is reduced and property tax levies cannot be increased, the funding ratio of 40/40/20 is no longer viable.

Fully funding Program 151 will help the colleges to continue to serve current students and other college constituents and will help address issues related to the tremendous enrollment growth experienced across the state. Full-time equivalent student enrollment growth averaged 2.9 percent in FY 2003-2004 and 3.1 percent in FY 2004-2005. The highest growth has occurred in three areas, Metropolitan, Southeast, and Western. While the population in eastern Nebraska has greatly increased, the population in western Nebraska has not. Both Metropolitan and Southeast have benefited from the population growth as well as expansion of their services. Western Community College has been very aggressive in their efforts in several markets – from the Hispanic community to more services to business and industry that has enhanced their enrollment growth. While most areas do not anticipate a continuation of double-digit growth, they are all projecting continued growth.

Included with this document is a chart which illustrates the use of the available over-levy authority for the past three years and a projection for the upcoming fiscal year. The projection is based on each community college area using the same percentage of their over-levy authority as they are using in the current year. The trend has been that the over-levy authority used is continuing to rise but the projection is based on using the same percentage as the colleges are currently utilizing.

Form Number 520

Program Adjustment Request

State of Nebraska - Administrative Services - Budget Division

	PAGE NUMBER
	CODE & DESCRIPTION
AGENCY	Community College Aid
PROGRAM	151 Aid to Community Colleges
REQUEST	

EXPENDITURE ACCOUNT	APPROPRIATIONS		ADJUSTMENTS	
	2005-2006	2006-2007	2005-2006	2006-2007
Permanent F.T.E. Positions				
511100 Permanent Salaries - Wages				
511200 Temporary Salaries - Wages				
511600 Per Diem Payments				
511900 Supplemental (One-time payments)				
All Other Salaries				
Sub-Total Salaries	0	0	0	0
515100 Retirement Plans Expense				
515200 OASDI Expense				
515400 Life and Accident Insurance Expense				
515500 Health Insurance Expense				
All Other Personal Services				
Sub-Total Benefits	0	0	0	0
510000 Personal Services	0	0	0	0
520000 Operating Expenses				
570000 Travel Expenses				
580000 Capital Outlay				
590000 Government Aid				
599100 Distribution of Aid	43,066,322	43,926,193	0	2,466,275
Total Expense	43,066,322	43,926,193	0	2,466,275
Means of Financing				
General Fund	43,066,322	43,926,193	0	2,466,275
Cash Fund				
Federal Fund				
Revolving Fund				
Total Funding	43,066,322	43,926,193	0	2,466,275

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.

Form Number 510

Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

		Page Number
	CODE	DESCRIPTION
AGENCY	083	Community Colleges
PROGRAM	152	P T R & E
REQUEST		\$22,501,033

Provide the following information: A) Description of Request; B) Rationale for Request; C) Impact of Request; and, D) Statutory Change if Required.

This request is to fully fund Program 152, Property Tax Relief and Equalization Program, based upon the current state aid distribution formula.

There are two major reasons for Nebraska to fulfill its agreement with the community college system – 1) the investment in the Nebraska community colleges is sound from multiple perspectives. The colleges increase the lifetime incomes of students and enrich their lives. They benefit taxpayers by generating increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of the state economy, and 2) the funding partnership including the state, local taxpayers and students, should be supported as much as possible by maintaining the funding ratio of 40 percent from the state in the form of state aid; 40 percent from the local taxpayers through a property tax levy; and the remaining funds generated from tuition and other sources of revenue.

Financially supporting the community college funding partnership to the 40 percent level, would mean an even greater return on investment for the state. To fully fund Program 152, the Legislature would have to appropriate \$22,501,033 in FY 2006-2007 in order for the colleges to reduce the property tax levy to six cents or less as prescribed by law, and to maintain the current level of services. It is important to note that the \$22,501,033 is not new money for the community colleges. Rather, this amount represents the state's portion of their obligation for fully funding the community college formula

LB 269 created a new program, Program 152, to distribute additional state aid through an equalization formula, partially in recognition that some community college areas were able to raise more property tax dollars with lower levies due to the valuation of the property within a particular area. Program 152 is also based on the premise that each area, no matter of size, should be able to generate 40 percent of its revenue from local taxes, and should receive 40 percent of its revenue from the state. Property valuations have continued to rise over the past several years with average statewide increases ranging from 9.04 percent in 2000 to 4.85 percent in 2005. The overall valuation growth from FY 01-02 to FY 04-05 is 21.3 percent. The projected statewide average valuation increase for 2006 is approximately 4.46 percent, with increases projected at 4.48% in 2007. Thus, while the levy remains constant, revenues should increase based upon the increases in valuations. However, because of the funding formula, levies generally have to be adjusted so that revenues do not exceed the 40 percent limit.

One of the unique characteristics of the Program 152 formula is the relationship between property tax collections and state aid funding for an individual college. Some of the colleges must levy the maximum levy in order to reach the 40 percent level, while other colleges are able to have lower levies. If a college generates more than 40 percent in property tax collections at the 6 cent level, it loses state aid, dollar for dollar, thereby protecting the funding ratio as much as possible. It is important to note that this ratio will probably never be exactly 40/40/20 because of the many variables within the formula. However, given the variables, such as property valuations, population shifts, enrollment, the amount of state money available, and any future changes in property tax levies, budget lids, or revenue restrictions, the colleges will work to be as close to this ratio as possible.

The relationship between state aid and property taxes became very clear in FY 1999-2000 when the Governor and Legislature approved an additional \$30 million dollars in state funds for the community colleges as part of a property tax relief package due to a significant reserve in the

Program Adjustment Narrative

State of Nebraska – Administrative Services – Budget Division

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REQUEST		\$22,501,033

Provide the following information: A) Description of Request; B) Rationale for Request; C) Impact of Request; and, D) Statutory Change if Required.

state coffers. Instead of levying up to 6 cents per \$100 of valuation, the colleges lowered the average statewide levy to 2.74 cents per \$100. The individual area levies ranged from a low of 2.51 cents to a high of 3.21 cents. This infusion of state dollars provided almost a dollar-for-dollar property tax reduction for taxpayers. Because the state's reserves were still high and because this proved to be successful as a property tax reduction method, the Governor and Legislature decided to re-appropriate the \$30 million for FY 2000-2001. The \$30 million infusion allowed the property tax rate to drop even further to a statewide average levy of 2.17 cents. The individual area levies range from 1.7 cents to 2.4 cents, quite a reduction from the original 11.5 cents per \$100 of valuation in 1997.

Nebraska taxpayers realized a small reduction in their property tax bills during those two fiscal years. However, because the Legislature was not able to continue the extra appropriations for property tax relief, the community college levy had to increase in FY 2001-2002 to an average statewide levy of 5.6 cents, an increase of almost 150%. This levy held steady for FY 2002-2003 at 5.8 cents, 6.285 in FY 2003-2004, 6.492 cents in FY 2004-2005, and will be 6.672 in FY 2005-2006. Although the maximum that community colleges can levy was 6 cents per \$100 of valuation, the Legislature did approve a bill that allowed community colleges to exceed this limitation by a super majority vote of the governing board. This legislation was continued in 2005 and will end in 2008. The major dilemma now is that with the state-mandated levy limit of six cents per \$100 of property valuation, the colleges will not be able to raise additional dollars from property taxes. When state aid is reduced and property tax levies cannot be increased, the funding ratio of 40/40/20 is no longer viable.

Included with this document is a chart which illustrates the use of the available over-levy authority for the past three years and a projection for the upcoming fiscal year. The projection is based on each community college area using the same percentage of their over-levy authority as they are using in the current year. The trend has been that the over-levy authority used is continuing to rise but the projection is based on using the same percentage as the colleges are currently utilizing.

Form Number 520

Program Adjustment Request

State of Nebraska - Administrative Services - Budget Division

	PAGE NUMBER
	CODE & DESCRIPTION
AGENCY	Community College Aid
PROGRAM	152 P T R & E
REQUEST	

EXPENDITURE ACCOUNT	APPROPRIATIONS		ADJUSTMENTS	
	2005-2006	2006-2007	2005-2006	2006-2007
Permanent F.T.E. Positions				
511100 Permanent Salaries - Wages				
511200 Temporary Salaries - Wages				
511600 Per Diem Payments				
511900 Supplemental (One-time payments)				
All Other Salaries				
Sub-Total Salaries	0	0	0	0
515100 Retirement Plans Expense				
515200 OASDI Expense				
515400 Life and Accident Insurance Expense				
515500 Health Insurance Expense				
All Other Personal Services				
Sub-Total Benefits	0	0	0	0
510000 Personal Services	0	0	0	0
520000 Operating Expenses				
570000 Travel Expenses				
580000 Capital Outlay				
590000 Government Aid				
599100 Distribution of Aid	22,245,893	23,891,436	0	22,501,033
Total Expense	22,245,893	23,891,436	0	22,501,033
Means of Financing				
General Fund	22,245,893	23,891,436	0	22,501,033
Cash Fund				
Federal Fund				
Revolving Fund				
Total Funding	22,245,893	23,891,436	0	22,501,033

Note: In the blank lines under Operating Expenses, itemize individual line items that comprise a significant portion of the Total Operating Expenses.

**Nebraska Community College Areas
Data on Additional Tax Property Tax Available
Fiscal Years Ending June 30**

	2004	2005	2006	2007
Total available (equal to under funding)				
Central	2,156,147	2,670,372	2,923,647	3,298,573
Metro	3,432,705	4,477,307	5,065,802	6,072,509
Mid-Plains	938,953	1,223,485	1,288,018	1,478,731
Northeast	1,089,263	1,328,663	1,635,748	2,357,306
Southeast	3,015,638	4,948,545	5,656,490	6,554,712
Western	2,203,540	3,059,127	4,183,692	5,205,477
	12,836,246	17,707,499	20,753,397	24,967,308
Used				
Central	1,674,748	2,407,577	2,676,215	3,019,476
Metro	-	324,088	1,327,205	1,591,032
Mid-Plains	346,045	931,599	1,288,018	1,478,731
Northeast	1,089,263	1,328,663	1,635,748	2,357,306
Southeast	-	-	1,138,597	1,319,591
Western	1,013,004	1,855,144	2,273,921	2,829,282
	4,123,060	6,847,071	10,339,704	12,595,418
Unused				
Central	481,399	262,795	247,432	279,097
Metro	3,432,705	4,153,219	3,738,597	4,481,477
Mid-Plains	592,908	291,886	0	-
Northeast	-	-	(0)	-
Southeast	3,015,638	4,948,545	4,517,893	5,235,121
Western	1,190,536	1,203,983	1,909,771	2,376,195
	8,713,186	10,860,428	10,413,693	12,371,890
% of Available Used				
Central	77.67%	90.16%	91.54%	91.54%
Metro	0.00%	7.24%	26.20%	26.20%
Mid-Plains	36.85%	76.14%	100.00%	100.00%
Northeast	100.00%	100.00%	100.00%	100.00%
Southeast	0.00%	0.00%	20.13%	20.13%
Western	45.97%	60.64%	54.35%	54.35%
	32.12%	38.67%	49.82%	50.45%
Actual Levies			Projected	
Central	6.9060	7.2410	7.3040	7.4079
Metro	5.6400	5.6400	5.6400	5.7337
Mid-Plains	6.5000	7.3000	7.7274	7.9068
Northeast	7.1122	7.2760	7.4622	8.0068
Southeast	6.0000	6.0000	6.4100	6.4580
Western	7.8880	9.2950	9.8220	10.5290
	6.2862	6.4923	6.6724	6.8358
Maximum Levies				
Central	7.1664	7.3765	7.4246	7.5380

Metro	6.6354	6.7781	6.5788	6.7954
Mid-Plains	7.3567	7.7073	7.7274	7.9068
Northeast	7.1122	7.2760	7.4622	8.0068
Southeast	7.1708	7.8525	8.0369	8.2750
Western	10.1069	11.4334	13.0319	14.3327
	7.1496	7.5186	7.5964	7.8823

Additional Used Each Year

Central	Base	732,829	268,638	343,261
Metro	Base	324,088	1,003,117	263,827
Mid-Plains	Base	585,554	356,419	190,713
Northeast	Base	239,400	307,085	721,558
Southeast	Base	-	1,138,597	180,994
Western	Base	842,140	418,777	555,361
	Base	2,724,011	3,492,633	2,255,714